GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:2936
ANSWERED ON:17.12.2004
DEFAULTING COMPANIES
Chitthan Shri N.S.V.;Gadakh Shri Tukaram Gangadhar

Will the Minister of COMPANY AFFAIRS be pleased to state:

(a) whether the Government is aware about the plight of small investors who have lost their hard earned money in various defaulted companies;

(b) whether the Government has prepared any list of such companies who have cheated lakhs of small investors;

(c) whether any action plan against these companies has been formulated so that small investors get their money back;

(d) if so, the details thereof;

(e) whether the Government has evolved any formula how the small investors would be protected from this type of cheating ; and

(f) if so, the details thereof?

Answer

MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

(a) and (b): Yes Sir. At present, 122 companies stand identified as vanishing companies.

(c) and (d) : A Coordination and Monitoring Committee, co-chaired by Secretary, Ministry of Company Affairs and Chairman, Securities and Exchange Board of India (SEBI) has been set up to look into issues relating to delinquent/vanishing companies and their promoters and for monitoring the progress of action against them. Accordingly, prosecutions under Sections 63, 68 and 628 of the Companies Act, 1956 were launched against 111 vanishing companies. Besides, First Information Reports (FIRs) have been filed under Indian Penal Code against Directors/Promoters of 90 vanishing companies. Petitions have also been filed with the Company Law Board under Sections 397/398/402/408 read with Section 406 of the Companies Act, 1956 in respect of two selected vanishing companies.

(e) and (f): Government is committed to protecting the interests of investors in companies. In pursuance of the above, the Government has also taken a comprehensive review of the Companies Act, 1956 with a view to revise it. A Concept Paper on Company Law has been released by this Ministry in August, 2004 to enable wide exposure and consultations in evolving a comprehensively revised Companies Bill. A Committee of Experts headed by Dr. J.J. Irani has also been set up to advise the Government on issues relating to the proposed new Company Law, including protecting the interests of small investors. Separately, Securities and Exchange Board of India has amended the SEBI (Disclosure and Investor Protection) Guidelines vide Circular dated 14.8.2003 to enforce higher disclosure requirements pertaining to promoters of companies.